

Highlights

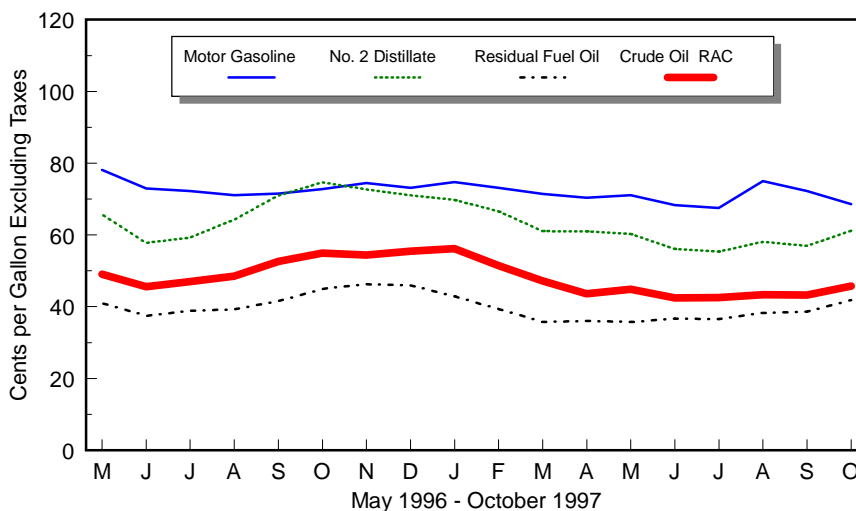
Highlights

World crude oil prices followed a variable course during October, with international political tensions and ample supplies of product acting as competing forces behind shifting prices. Prices at the start of the month reached some of the highest levels seen since last winter in reaction to continued tensions in the Middle East. Late in September, attacks by Iranian forces on rebel groups within Iraq involved incursions into the "no-fly" zone in southern Iraq. In response, the United States deployed the aircraft carrier Nimitz to the Persian Gulf during the first week of October. Contributing more pressure in the region, Iraq barred United Nations weapons inspections teams from various sites slated to be investigated. The U.N./Iraq "oil-for-food" deal was in part contingent upon a weapons inspection program. This stalemate continued throughout the month and culminated at the end of October with Iraq suspending the inspection program. Additionally during the last week of the month, Turkish forces once again bombed Kurdish rebels in northern Iraq. Despite these events, crude oil prices failed to react as severely in the second half of the month as they had earlier, due to substantial stocks of product in markets throughout the world. Increased wellhead production and supply, particularly from the Organization of Petroleum Exporting Countries (OPEC), contributed significantly to these conditions. To a modest degree, market technical factors came into play as financial markets in Asia--one of the leading world regions in demand for crude oil--collapsed during the final days of October. The effects of the foundering Asian markets on

other world financial markets failed to have more than a marginal impact on crude oil prices in the face of current political pressures and the high production rates seen during the past several months.

In the absence of widespread production or distribution problems, October prices for finished petroleum products in the United States were led primarily by crude oil price trends and brimming stock levels across the country. Only CARB diesel fuel prices moved in noticeable opposition to prevailing trends. The steep rise in prices for this product was attributed mainly to market reaction to reported problems at various refining facilities on the West Coast and to reports of falling stocks of the product in California. At the national level, preliminary data show stocks of gasoline and distillate growing 6.5 percent and 18.6 percent, respectively, from year-ago levels. Month-to-month changes amounted to less than 1 percent for gasoline and about 2 percent for distillate fuels. Spurred by the first snaps of cold weather in conjunc-

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	October 1997		September 1997		October 1996		October 1997		September 1997		October 1996	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	84.4	64.8	87.2	63.8	84.4	58.5	68.6	299.5	72.3	290.8	72.8	293.7
Conventional	80.2	38.9	83.7	39.1	83.1	35.5	64.1	202.3	68.1	200.4	71.0	198.4
Regular	76.3	27.6	80.0	27.9	79.4	25.1	62.1	155.9	66.1	155.0	68.9	151.9
Midgrade	86.1	6.2	89.4	6.2	88.5	5.7	68.2	16.5	72.2	16.4	75.4	16.6
Premium	93.6	5.2	97.5	5.0	95.8	4.8	72.7	29.9	76.8	29.0	79.5	29.9
Oxygenated	92.7	2.8	93.7	2.1	96.5	3.3	77.7	8.0	80.1	4.8	84.2	8.5
Regular	89.9	2.2	91.3	1.6	93.1	2.4	76.1	6.0	78.6	3.7	82.0	6.4
Midgrade	98.8	0.4	100.0	0.2	101.9	0.5	79.7	1.1	82.9	0.6	87.8	0.9
Premium	107.5	0.3	108.1	0.2	109.8	0.4	87.1	0.8	87.4	0.5	93.8	1.2
Reformulated	90.6	23.0	92.6	22.7	84.8	19.6	77.8	89.3	81.7	85.6	75.8	86.8
Regular	86.1	15.3	88.0	15.2	79.9	12.7	74.4	59.9	78.2	57.7	72.1	56.5
Midgrade	95.7	3.9	97.9	3.8	89.9	3.6	82.8	10.9	86.2	10.8	78.8	11.6
Premium	103.3	3.9	106.0	3.7	98.3	3.3	85.8	18.4	90.7	17.1	85.2	18.7
Aviation Gasoline	113.9	0.2	115.6	0.2	115.0	0.2	104.5	0.6	108.9	0.7	107.1	0.6
Kerosene-Type Jet Fuel	61.5	49.7	58.2	51.1	73.6	48.0	61.4	11.1	58.8	10.6	73.6	11.2
Propane (Consumer Grade)	52.1	3.5	48.4	3.1	57.7	3.9	41.1	34.7	39.5	32.4	51.1	35.3
Kerosene	72.8	0.2	63.4	0.3	87.1	0.3	63.8	2.6	60.1	1.9	80.7	2.9
No. 1 Distillate	66.7	0.3	61.1	0.2	82.3	0.3	71.7	1.7	67.2	0.9	85.7	1.9
No. 2 Distillate	64.3	26.3	60.4	26.1	76.7	25.8	61.2	127.5	57.0	121.5	74.7	125.2
No. 2 Fuel Oil	63.3	3.1	58.4	2.9	75.1	2.7	59.0	26.4	54.3	27.0	72.7	33.1
No. 2 Diesel Fuel	64.5	23.1	60.7	23.2	76.9	23.1	61.7	101.1	57.8	94.5	75.4	92.2
Low Sulfur	66.0	15.3	62.1	15.5	79.2	14.5	62.0	84.4	58.0	80.5	75.8	77.0
High Sulfur	61.5	7.8	57.9	7.7	73.0	8.6	60.2	16.7	56.9	14.0	73.3	15.2
No. 4 Fuel^a	55.5	0.3	51.1	0.2	62.1	0.3	58.4	0.1	54.1	0.1	63.9	0.2
Residual Fuel Oil	43.8	15.8	41.4	12.9	48.5	13.5	41.9	12.9	38.7	11.8	45.0	11.2
Sulfur Content not > 1 %	48.3	3.0	46.4	2.6	54.7	2.4	44.6	5.7	40.1	5.0	47.8	4.5
Sulfur Content > 1 %	42.8	12.8	40.1	10.3	47.1	11.1	39.8	7.2	37.6	6.9	43.1	6.6

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

tion with the ongoing harvest season, demand for distillates rose 10.8 percent. Demand for gasoline rose about 2 percent, after declining for the past two months. Crude oil stocks grew slightly from September's level, but were still marginally lower than the year-ago level. Imports of crude oil into the U.S. rose 3.4 percent in October, with Venezuela supplying the largest amount of product (48.4 million barrels) over the course of the month. Refinery utilization fell in October, with total inputs falling 2.3 percent.

October market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

During October, the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma, reached the highest price seen since February mainly in reaction to political turmoil in the Middle East. After opening at \$21.13 per barrel, the price rose steeply during the next few days, and reached the month's high of \$22.86 per barrel on October 3. The price continued on a changeable, but overall downward course for the next several weeks before reaching the low of \$20.40 per barrel on October 28. Closing at \$21.10 per barrel, the price was virtually even with its opening level.

- October monthly average crude oil prices rose in all categories of sales. The average domestic crude oil first purchase price shows the largest amount of change, rising \$1.24 (7.5 percent), to \$17.68 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased 66 cents (3.9 percent), to \$17.39 per barrel. The average landed cost of foreign crude oil rose 88 cents (4.9 percent), to \$18.70 per barrel.
- The monthly average refiner acquisition costs for domestic crude oil increased \$1.09 (5.9 percent), to \$19.58 per barrel. The average cost of imported crude oil to U.S. refiners rose 99 cents (5.5 percent), to \$18.95 per barrel. The composite refiner acquisition cost of crude climbed \$1.03 (5.7 percent), to \$19.23 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for unleaded regular gasoline at New York Harbor continued to drop during October from the remarkable levels seen during August and the first half of September. The price followed the general pattern for the products complex, which was influenced by events in the Middle East. Opening at 62.5 cents per gallon, the price hit its high of 63.7 cents per gallon on October 3. After undergoing a substantial decline during the first half of the month, the price's direction fluctuated during the final half of October. After reaching the low of 55.7 cents per gallon on October 28, the price closed at 56.4 cents per gallon, 6.1 cents lower than where it started the month.

- October monthly average gasoline prices fell across the board. The average price for retail sales of motor gasoline by refiners fell 2.8 cents, to 84.4 cents per gallon and the average wholesale price dropped 3.7 cents to 68.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 2.9 cents to 83.4 cents per gallon. The average wholesale price decreased 3.5 cents, to 68.9 cents per gallon. The average dealer tank wagon (DTW) price fell 3.3 cents to 77.8 cents per gallon. The average rack

price showed the greatest degree of change, falling 3.9 cents to 65.4 cents per gallon. The average bulk sales price dropped 2.9 cents, to 60.4 cents per gallon. The spread between reformulated and conventional gasoline prices increased again this month, expanding to 8.3 cents at retail, and 11.1 cents at wholesale. The margin between conventional and oxygenated gasoline prices grew to 9.8 cents at retail and 11.7 cents at wholesale.

- Refiner sales of finished motor gasoline fell in most categories during October. Total sales increased 9.7 million gallons per day (2.7 percent), to an average of 364.3 million gallons per day. Retail sales rose 1.0 million gallons per day (1.6 percent), while wholesales increased 8.7 million gallons per day (3.0 percent). Rack sales accounted for 61.7 percent of total wholesales, while DTW and bulk sales made up 24.6 percent and 13.7 percent, respectively. Reformulated gasoline (RFG) constituted 30.8 percent of total motor gasoline sales, while oxygenated gasoline explained 3.0 percent of sales.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor followed a course very similar to those for crude oil and gasoline. Opening at 57.9 cents per barrel, the price reached the high of 60.5 cents per gallon on October 3. Like the trends seen for gasoline and crude oil, the price dropped significantly after that point, and reached the month's low of 55.1 cents per gallon on October 28. The price closed the month at 57.0 cents per gallon, fractionally lower than where it began October.

- Unlike motor gasoline, October monthly average prices for No. 2 distillate show increases in all categories of sales. The national average residential price rose 3.6 cents to 92.1 cents per gallon, while the average wholesale price increased 3.8 cents, to 61.7 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets gained 2.4 cents, while the average wholesale price rose 3.6 cents per gallon. The margins between low- and high-sulfur diesel fuel prices shrank at retail, falling to 1.4 cents per gallon, but widened to 1.6 cents per gallon at wholesale.
- Refiner sales of No. 2 distillate generally rose during October. Total sales rose 6.1 million gallons per day (4.1 percent), to 153.7 million gallons per day. Sales of No. 2 fuel oil decreased 400,000 gallons per

day (1.3 percent) while sales of No. 2 diesel fuel increased 6.5 million gallons per day (5.5 percent). Low-sulfur diesel fuel sales made up 80.3 percent of all refiner diesel fuel sales, and 64.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices for October increased in all categories of sales. Refiner prices for low-sulfur residual fuel climbed 1.9 cents to 48.3 cents per gallon at retail and 4.5 cents to 44.6 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices increased 2.7 cents to 42.8 cents per gallon at retail and 2.2 cents to 39.8 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 4.1 cents to 48.0 cents per gallon at retail and 5.0 cents to 45.3 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 2.8 cents to 43.0 cents per gallon at retail and 2.4 cents to 40.4 cents per gallon at wholesale.
- Sales of residual fuel oil by refiners rose markedly in October. Total sales increased 4.0 million gallons per day (16.2 percent), to 28.7 million gallons per

day. Low-sulfur residual fuel sales rose 1.1 million gallons per day (14.5 percent), while high-sulfur residual fuel oil increased 2.8 million gallons per day (16.3 percent).

Other Products

- Prices for other products included under this heading generally rose during October. Refiner propane prices increased 3.7 cents per gallon at retail, and 1.6 cents per gallon at wholesale. Including the sample of propane marketers, the average residential propane price climbed 2.6 cents per gallon, while the average end-user price gained 0.6 cent. The average wholesale price rose 1.6 cents per gallon. With the exception of aviation gasoline, which fell in both categories of sales, prices for all other products increased at both retail and wholesale.
- The volumes of sales by refiners for these products were varied during October. Sales of propane, No. 1 distillate, and No. 4 distillate rose at both levels while sales of aviation gasoline fell in both categories. Sales of kerosene-type jet fuel and kerosene fell at retail and rose at wholesale.